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Message Text

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62
ORIGIN PM-03

INFO OCT-01 EUR-12 ISO-00 TRSE-00 OMB-01 DODE-00 EB-07

COME-00 L-02 AID-05 XMB-02 IGA-01 CIAE-00 INR-07

NSAE-00 SP-02 /043 R

DRAFTED BY PM/SAS:RWSMITH:RG
APPROVED BY PM:GSVEST
DOD/DSAA - MR. BETTELEY
TREASURY - MR. CROSSWHITE
EUR/SE - MR. DAY
PM/SAS - MR. JAMES
OMB-MR MANTEL(INFO)
---------- 075047
R 181446Z APR 75
FM SECSTATE WASHDC
TO AMEMBASSY ATHENS
INFO USCINCEUR

C O N F I D E N T I A L STATE 089052

E.O. 11652: GDS
TAGS: MASS, GR
SUBJECT: HELLENIC AIRCRAFT INDUSTRY
REF: A) SECDEF 261551Z FEB 75 B) CJUSMAG 211340Z MAR 75
C) SECDEF 011310Z APR 75
1. APPROPRIATE WASHINGTON AGENCIES HAVE CONSIDERED IN DETAIL THE STATUS OF $25 MILLION LOAN AGREEMENT BETWEEN FIRST NATIONAL CITY BANK OF NEW YORK (FNCB) AND GOG NEGOTIATED UNDER AUSPICES OF FY 1972 FMS CREDIT PROGRAM. WE ARE FACED WITH IMMEDIATE PROBLEM OF JUNE 1 DEADLINE FOR DRAWDOWN OF THAT LOAN, SINCE, AS INDICATED IN REF C, IT IS NOT POSSIBLE TO CONTINUE USG GUARANTY BEYOND THAT DATE IN VIEW OF CONDITIONS PROPOSED BY FNCB.

2. BANK'S CONDITIONS FOR ACCEDING TO GOG REQUESTS TO EXTEND DRAWDOWN AND GRACE PERIODS ARE: A) AN INCREASE IN THE LENDING RATE TO 1-1/2 PERCENT OVER FNCB BASE (LOAN
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AGREEMENT NOW PROVIDES FOR 1/2 OF 1 PERCENT OVER FNCB

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BASE), AND B) AN INCREASE IN THE COMMITMENT FEE TO 3/4 OF
1 PERCENT (LOAN AGREEMENT NOW PROVIDES FOR 1/2 OF 1 PERCENT).
THESE CONDITIONS HAVE BEEN CONVEYED BY FNCB TO ITS BRANCH
MANAGER IN ATHENS (MANTZAVIMOS). IN ADDITION, FNCB POLICY
REQUIRES IT TO RECEIVE DIRECTLY FROM GOG REQUEST TO EXTEND
LOAN AVAILABILITY PERIOD TO DECEMBER 1976 AND TO PROVIDE
GRACE PERIOD OF 3 TO 5 YEARS FOR REPAYMENT OF LOAN, AS WELL
AS SUFFICIENT FINANCIAL DETAILS TO ASSURE VALIDITY OF
PROJECT. FNCB ASSUMES THAT FINAL MATURITY OF DEBT WOULD

CONTINUE TO BE THAT INITIALLY CONTEMPLATED, I.E., 1985.
IF ALL ABOVE CONDITIONS AND REQUESTS WERE MET TO FNCB'S
SATISFACTION, WE UNDERSTAND THAT THE BANK WOULD CONSIDER
FAVORABLY THE GREEK REQUESTS.

3. CONSIDERING THE FACT THAT THE USG GUARANTY COVE
THE ENTIRE PRINCIPAL AMOUNT OF THE LOAN, THE NEW LENDING
RATE AND COMMITMENT FEE PROPOSED BY FNCB WOULD BE
EXCESSIVE AND UNACCEPTABLE AS BASIS FOR CONTINUING USG
GUARANTY OF JUNE 1, 1972 LOAN AGREEMENT. CURRENTLY, WE
ARE NOT GUARANTEEING ANY LOANS WITH FLOATING INTEREST
RATES. RELUCTANTLY, USG WOULD BE WILLING TO CONTINUE THE
GUARANTY FOR THE PRESENT FNCB LOAN WITH AN EXTENDED
DRAWDOWN PERIOD AND A DELAY IN START OF PRINCIPAL REPAY-
MENT ONLY ON THE CONDITION THAT THE ORIGINAL LENDING RATE
AND COMMITMENT FEE WERE RETAINED AND ALL PRINCIPAL WERE
REPAID BY JUNE 1, 1985.

4. IN ORDER TO ASSIST GOG TO UTILIZE THIS $25 MILLION
LOAN WITHOUT FURTHER DELAY AND UNCERTAINTY, WE ARE PREPARED
TO PROPOSE ALTERNATIVE USE OF THIS RESOURCE. USG COULD
PERMIT GOG TO UTILIZE FNCB LOAN TO MEET PAYMENTS DUE ON
A-7, T-2, AND C-130 AIRCRAFT FOR 4TH QUARTER FY 75 AND
FIRST QUARTER FY 76. DRAWDOWN FOR THIS PURPOSE WOULD,
OF COURSE, HAVE TO BE ACCOMPLISHED BY JUNE 1 DEADLINE.
ASSUMING THAT THE GOG WOULD STILL WISH TO OBTAIN FMS
CREDIT ASSISTANCE WHEN THE HAI PROJECT BECAME A REALITY,
WE WOULD BE PREPARED TO CONSIDER SUCH A REQUEST WITHIN THE
CONTEXT OF FUTURE FMS CREDIT PROGRAMS. AT SUCH TIME, WE
WOULD TAKE INTO ACCOUNT THE VIABILITY OF THE PROJECT, TO
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INCLUDE EVIDENCE THAT THE GREEKS INTEND TO SIGN CONTRACTS
AND DEVELOP ARRANGEMENTS AND PROCEDURES UNDER WHICH HAI
IS TO OPERATE. IN OTHER WORDS, WE WILL EXPECT TO RECEIVE
AT LEAST SAME ASSURANCES REGARDING VIABILITY OF THIS
UNDERTAKING AS FNCB DEMANDS AT PRESENT TIME.

5. EMBASSY IS REQUESTED ON URGENT BASIS TO RAISE THIS
MATTER WITH APPROPRIATE GOG OFFICIALS. EMBASSY SHOULD

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EMPHASIZE THAT GOG DECISION MUST BE MADE AS SOON AS POSSI-
BLE IN ORDER TO FACILITATE DRAWDOWN PRIOR TO JUNE 1 DEAD-
LINE. KISSINGER

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Message Attributes

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Disposition Action: RELEASED
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Disposition Authority: buchantr
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